

2a-7 each year.¹ The staff estimates that each of these funds spends an average of 539 hours each year to document credit risk analyses, and determinations regarding adjustable rate securities, asset backed securities, and securities subject to a demand feature or guarantee.² In addition, each year an estimated average of three money market funds each spends approximately one-half hour to record (in the board minutes) board determinations and actions in response to certain events of default or insolvency, and to notify the Commission of the event.³ Finally, Commission staff estimates that in the first year of operation, the board of directors, counsel, and staff of an average of 15 new money market funds each spends 38.5 hours to formulate and establish written procedures for stabilizing the fund's NAV and guidelines for delegating certain of the board's responsibilities to the fund's adviser. Based on these estimates, Commission staff estimates the total burden of the rule's paperwork requirements for money market funds to be 480,830 hours.⁴ This is an increase from the previous estimate of 319,211 hours. The increase is attributable to updated information from money market funds regarding hourly burdens, a more accurate calculation of the component parts of some information collection burdens, and the significant differences in burden hours reported by the funds selected at random to be surveyed in different submission years.

These estimates of burden hours are made solely for the purposes of the Paperwork Reduction Act. The estimates are not derived from a comprehensive or even a representative survey or study of Commission rules.

In addition to the burden hours, Commission staff estimates that money market funds will incur costs to preserve records, as required under rule 2a-7. These costs will vary significantly for individual funds, depending on the amount of assets under fund management and whether the fund preserves its records in a storage facility in hard copy or has developed and maintains a computer system to create

and preserve compliance records.⁵ Commission staff estimates that the amount an individual fund may spend ranges from \$100 per year to \$1 million. Based on an average cost of \$0.0000052 per dollar of assets under management for small and medium-sized funds to \$0.0000024 per dollar of assets under management for large funds,⁶ the staff estimates compliance with rule 2a-7 costs the fund industry approximately \$5 million.⁷ Based on responses from individuals in the money market fund industry, the staff estimates that some of the largest fund complexes have created computer programs for maintaining and preserving compliance records for rule 2a-7. Based on a cost of \$0.0000097 per dollar of assets under management for large funds, the staff estimates that the total annualized capital/startup costs range from \$0 for small funds to \$20 million for all large funds. Commission staff further estimates, however, that even absent the requirements of rule 2a-7, money market funds would spend at least half of the amount for capital costs (\$10 million) and for record preservation (\$2.5 million) to establish and maintain these records and the systems for preserving them as a part of sound business practices to ensure diversification and minimal credit risk in a portfolio for a fund that seeks to maintain a stable price per share.

The collections of information required by rule 2a-7 are necessary to obtain the benefits described above. Notices to the Commission will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Please direct general comments regarding the information above to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, New

Executive Office Building, Washington, DC 20503; and (ii) Kenneth A. Fogash, Acting Associate Executive Director/CIO, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Comments must be submitted to OMB within 30 days of this notice.

Dated: January 7, 2003.

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Submission for OMB Review; Comment Review

Upon written request, copies available from: Securities and Exchange Commission; Office of Filings and Information Services; Washington, DC 20549.

Extension:

Rule 12a-5, Sec File No. 270-85, OMB Control No. 3235-0079;
Rule 15c1-7, Sec File No. 270-146, OMB Control No. 3235-0134;
Rule 15Aj-1, Sec File No. 270-25, OMB Control No. 3235-0044.

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") has submitted to the Office of Management and Budget requests for extension of the previously approved collections of information discussed below.

• Rule 12a-5—Temporary Exemption of Substituted or Additional Securities.

Rule 12a-5 of the Securities Exchange Act of 1934 (the "Act") generally makes it unlawful for any security to be traded on a national securities exchange unless such security is registered on the exchange in accordance with the provisions of the Act and the rules and regulations thereunder.

Rule 12a-5 and form 26 were adopted by the Commission in 1936 and 1955 pursuant to sections 3(a)(12), 10(b), and 23(a) of the Act. Subject to certain conditions, rule 12a-5 affords a temporary exemption (generally for up to 120 days) from the registration requirements of section 12(a) of the Act for a new security when the holders of a security admitted to trading on a national securities exchange obtain the right (by operation of law or otherwise) to acquire all or any part of a class of another or substitute security of the same or another issuer, or an additional amount of the original security. The purpose of the exemption is to avoid an

¹ This estimate is based on information in the Money Fund Vision database, compiled by iMoneyNet (Sept. 6, 1999).

² This average is based on discussions with individuals at money market funds and their advisers. The amount of time may vary significantly for individual money market funds.

³ This number may vary significantly from year to year.

⁴ This estimate is based on the following calculation: $((891 \times 539) + (3 \times 1) + (15 \times 38.5)) = 480,830$.

⁵ The amount of assets under management in money market funds ranges from approximately \$100,000 to \$70.6 billion.

⁶ For purpose of this PRA submission, Commission staff used the following categories for fund sizes: (i) Small—money market funds with \$50 million or less in assets under management, (ii) medium—money market funds with more than \$50 million up to and including \$1 billion in assets under management; and (iii) large—money market funds with more than \$1 billion in assets under management.

⁷ The staff estimated the annual cost of preserving the required books and records by identifying the annual costs incurred by several funds and then relating this total cost to the average net assets of these funds during the year. With a total of \$191.3 billion under management in small and medium funds, and \$2,078 billion under management in large funds, the total amount was estimated as follows: $(\$0.0000052 \times \$191.3 \text{ billion}) + (\$0.0000024 \times \$2,078 \text{ billion}) = \5 million .